

The Export Enhancement Program is a financing tool for foreign buyers purchasing equipment from North Dakota manufacturers. Loans are made by Bank of North Dakota and are guaranteed by the Export-Import Bank of the United States (Ex-Im Bank) utilizing their medium-term credits program. Community financial institutions may participate in the loans.

### Structure

The loan requires a down payment of at least 15 percent of the contract amount prior to shipment, and a signed promissory note for the balance. Financing is provided to the foreign buyer.

### Loan amount

The minimum transaction size is \$200,000. The amount of the loan to the foreign buyer will be the sum of the loan proceeds paid to the exporter shortly after shipment, plus any approved loan and guarantee fees the buyer wishes to finance. Ex-Im Bank guarantees 100 percent of both the loan principal and interest.



### Use of loan proceeds

The loan proceeds will be paid directly to the exporter shortly after the equipment has been shipped to the buyer.

### Qualifying requirements

Eligibility is based on the financial strength of the foreign buyer, as well as the financial and political stability of the country where the buyer is located, as determined by Ex-Im Bank. The financial strength of the exporter does not impact the approval decision of the buyer.

### Collateral

Ex-Im Bank will typically require the filing of a first secured position in the equipment being financed. They may also require the personal guarantee of the owner of the foreign company.

### Interest rate

The interest rate will be established by BND and/or the referring lender. It is typically a floating rate based on a fixed spread over the 6-month LIBOR. At each scheduled semi-annual payment date, the rate resets to the current LIBOR base plus the fixed spread.

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## **Fees**

BND will charge the foreign buyer an application fee of \$1,000 for administrative costs. For qualified buyers, there will also be an experienced trade broker who will charge an arrangement fee for preparing the financial analysis, application, and documentation. The arrangement fee is typically 1.5% of the transaction amount with a minimum of \$5,000 and is shared equally between BND and the trade broker. Ex-Im Bank will charge an exposure fee based on the country of the buyer and the repayment term. With the exception of the application fee, these fees, including legal fees are all contingent on the loan closing. These are paid by the foreign buyer and eligible to be financed as part of the loan.

## **Repayment terms**

The term of the loan is based on the original transaction amount. Transactions over \$200,000 qualify for up to 4-year payment terms, and transactions over \$350,000 qualify for up to 5-year payment terms. The loan is repaid in equal, semi-annual installments of principal plus accrued interest, beginning six months after shipment of the equipment.

## **Application process**

- North Dakota lender contacts BND on behalf of the client who wishes to facilitate a sale through the program. The referring lender advises BND if they wish to participate in the loan and the level in which they would like to participate.
- BND provides an indicative loan quote and requests detailed information needed from the buyer for the application, including primary approval criteria
- If the foreign buyer wishes to proceed with an application, the buyer sends the application fee to BND along with the previous three years of financial statements.
- After determining qualification, BND submits the application to the trade broker. The trade broker completes the financial analysis, application, and documentation and submits the information to Ex-Im Bank.
- Upon approval, BND notifies the referring lender who informs the client and the foreign buyer.
- The loan will be completed under BND's Master Guarantee Agreement with Ex-Im Bank. Ex-Im Bank approves all documents prior to funding.
- At the time of funding, BND pays the loan proceeds to the exporter and participates the agreed portion of the loan to the referring lender.